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FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA PRIORITY

INFO AMEMBASSY BRUSSELS PRIORITY

C O N F I D E N T I A L STATE 217876

E.O. 11652: GDS

TAGS:

SUBJECT: SUPPLY OF PETROLEUM

REFS: KINSHASA 8067 AND 7887(NOTAL)

1. SUMMARY. DEPTOFF HAS DISCUSSED POL SUPPLY PROBLEM WITH WILLIAMS OF MOBIL, DEMMUNICK OF FNCB AND RUSSO OF IMF. WHILE MOBIL HAS WORKED OUT LOGISTICS OF SUPPLYING ZAIRE 40 MILLION DOLLARS IN CRUDE AND PRODUCT ON CREDIT BETWEEN NOW AND BEGINNING OF 1976, BANK GUARANTEE WHICH MOBIL REQUIRES IS APPARENTLY NOWHERE IN SIGHT. THERE IS NO POSSIBILITY OF 1975 IMF OIL FACILITY DRAWING TO HELP FINANCE POL NEEDS UNTIL IMF MISSION TO KINSHASA SECOND
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HALF OCTOBER HAS ASSESSED WHETHER GOZ'S STABILIZATION

PROGRAM SATISFIES CONDITION OF 1975 FACILITY THAT RECIPIENTS TAKE ADEQUATE MEASURES TO ACHIEVE MEDIUM-TERM SOLUTION TO THEIR BALANCE OF PAYMENTS PROBLEM.

2. DEPTOFF DISCUSSED ZAIRE POL SUPPLY SITUATION WITH WILLIAMS OF MOBIL OIL SEPTEMBER 9 AND 11. WILLIAMS REPORTS THAT HIS COMPANY HAS COMPLETED ANALYSIS OF LOGISTICS OF PROVIDING 40 MILLION DOLLARS IN CRUDE AND PRODUCT ZAIRE HAS ASKED FOR BETWEEN NOW AND BEGINNING OF 1976. IN SEPTEMBER HE SENT MESSAGE FOR DELIVERY TO

BISENGIMANA AFFIRMING HIS READINESS TO RETURN TO KINSHASA AND ASKING TO BE ADVISED ABOUT WHEN WOULD BE CONVENIENT TIME FOR VISIT. AS WILLIAMS SEES IT, MOBIL HAS DONE ITS HOMEWORK AND IT IS NOW UP TO GOZ TO ARRANGE BANK GUARANTEE AS PROMISED BY BISENGIMANA AND TO SO ADVISE MOBIL ONCE GUARANTEE IS IN HAND. BASED ON REPORTS FROM MOBIL REP DUBRULE IN KINSHASA AND INFORMAL CONTACTS WITH CITIBANK IN NEW YORK, MOBIL HAS NO REASON TO BELIEVE THAT PROGRESS HAS BEEN MADE TOWARD SECURING SUCH A GUARANTEE. WILLIAMS SAID THAT TIME IS AWASTING AND THAT TO AVOID SUPPLY INTERRUPTION TANKER WOULD HAVE TO BE SET EN ROUTE TO ZAIRE WITHIN NEXT TEN TO FIFTEEN DAYS. (HE SAID THAT HE THOUGHT MOBIL NOW HAD IN HAND SEPARATE PROBLEM OF SUPPLYING SHABA'S IMMEDIATE NEEDS ON CASH BASIS.)

3. DEPTOFF SAID THAT CRUX OF PROBLEM WAS TO FIND SOMEONE WILLING TO BEAR THE RISK OF PROVIDING ZAIRE WITH POL ON CREDIT AND ASKED WHAT MATERIAL CONTRIBUTION TO SOLUTION OF PROBLEM MOBIL WAS REALLY OFFERING TO MAKE IF IT WAS UNWILLING TO BEAR ANY OF THE RISK ITSELF. WILLIAMS SAID MOBIL WAS OFFERING TWO THINGS: DELIVERY OF THE RIGHT MIX OF CRUDE AND PRODUCT AT THE RIGHT PLACES WITHIN THE TIME FRAME REQUIRED--SOMETHING THAT NO ONE ELSE BUT SHELL HAD THE MARKETING INFRASTRUCTURE TO DO; AND CREDIT TERMS (HE SAID THAT ALTHOUGH NO DETAILS HAD BEEN DISCUSSED WITH BISENGIMANA, COMPANY WOULD BE PREPARED TO PROVIDE SIX MONTHS TO TWO YEARS CREDIT AT COMMERCIAL INTEREST RATES). DEPTOFF SAID ZAIRE COULD GET CONFIDENTIAL

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CREDIT ANYWHERE IF CREDITOR COULD OFFLOAD THE ENTIRE RISK, AS MOBIL PROPOSED TO DO. HE SUGGESTED THAT IF MOBIL HOPED TO GAIN ANY LEVERAGE WITH GOZ IN COMPENSATION NEGOTIATIONS IT WOULD PROBABLY HAVE TO SHOULDER SOME OF THE RISK ITSELF. WILLIAMS SAID THAT THIS WAS OUT OF THE QUESTION, THAT HIS MANAGEMENT HAD MADE FIRM DECISION THAT IT WOULD NOT INCREASE ITS EXPOSURE IN ZAIRE AND THAT GOING OUT ON THE LIMB FOR ANOTHER 40 MILLION DOLLARS OR EVEN

ANY SIGNIFICANT PART OF IT TO PROTECT 20 MILLION DOLLARS INTEREST IN NATIONALIZED ASSETS WOULD BE FOOLISH. (HE READILY ACKNOWLEDGED THAT IF COMPENSATION CLAIM WAS FOR 100 MILLION DOLLARS, COMPANY'S JUDGEMENT MIGHT BE VERY DIFFERENT.) WILLIAMS SAID HE HAD ALREADY TAKEN SOME HEAT FROM HIS MANAGEMENT FOR TYING UP SUPPLY AND DISTRIBUTION DEPARTMENT IN PLANNING ELABORATE SUPPLY EFFORT THAT MIGHT NEVER BE IMPLEMENTED. HE INDICATED MOBIL IS STILL WILLING PLACE ITS "EXTENSIVE LOGISTICS CAPACITY" AT ZAIRE'S DISPOSAL BUT SAID THAT LACK OF PAYOFF ON EARLIER GESTURES TOWARD GOZ DIDN'T ARGUE FOR FURTHER RISK-TAKING. (HE NOTED THAT COMPANY HAD PROVIDED ZAIRE WITH DESPERATELY NEEDED CRUDE IN TIGHT WORLD MARKET SITUATION FIFTEEN MONTHS AGO ONLY TO BE TOLD THAT SUBSEQUENT LONGER-TERM CONTRACT GOING TO ARABS "FOR POLITICAL REASONS"; HE ALSO NOTED THAT MOBIL'S COOPERATION WITH PETROZAIRE HAD NOT EXPEDITED SETTLEMENT OF COMPENSATION CLAIM DESPITE MOBUTU'S PROMISE TO MOBIL SOUTH PRESIDENT ADAMS YEAR AND A HALF AGO THAT CLAIM WOULD BE SETTLED PROMPTLY. HE DID ACKNOWLEDGE AS A PLUS MOBIL'S LUCRATIVE MANAGEMENT/TECHNICAL ASSISTANCE CONTRACT.) COMMENT: WILLIAMS NOTED IN PASSING THAT DESPITE TIGHT FONEX POSITION GOZ HAS FOUND MONEY A COUPLE OF WEEKS AGO TO PAY OFF 7 MILLION DOLLARS OF 13 MILLION DOLLARS OIL DEBT TO ALGERIA, PRESUMABLY AS CONDITION FOR RECEIPT OF LAST ALGERIAN TANKER-LOAD. FROM THIS AND OTHER COMMENTS, DEPTOFF GOT IMPRESSION THAT HE MAY EXPECT THAT, IN PINCH, GOZ WILL COME UP WITH FONEX FOR NECESSARY POL IMPORTS AT EXPENSE OF OTHER REQUIREMENTS SUCH AS DEBT SERVICING, AND THAT MOBIL WILL BE POSITIONED TO GET THE BUSINESS.

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4. CONCERNING COMPENSATION NEGOTIATIONS, WILLIAMS SAID DUBRULE HAD REPORTED "VERY SLOW" PROGRESS IN SESSIONS THIS WEEK. HE SAID DUBRULE WOULD BE FLYING TO SPAIN THIS WEEKEND TO MEET WITH WILLIAMS AND OTHER MOBIL SOUTH OFFICIALS AND DISCUSS BOTH COMPENSATION AND OIL SUPPLY QUESTIONS. REITERATING MOBIL WILLINGNESS "BE COOPERATIVE", WILLIAMS GAVE DEPTOFF INFORMATION ABOUT HOW TO REACH MOBIL GROUPS IN SPAIN.

5. IN CONVERSATION WITH DEPTOFF SEPTEMBER 10, DEMMUNICK OF FNCB CONFIRMED THAT BANK NOT DISPOSED TO PROVIDE FINANCING OR "GUARANTEE" FOR OIL DEAL, WITH FUTURE ZAIRIAN OIL PRODUCTION OR OTHER MINERAL PRODUCTION AS COLLATERAL. HE STATED THAT SOME OF FNCB'S OWN LOANS,

INCLUDING SYNDICATED BOP LOAN, FORBID ZAIRE TO MORTGAGE ITS ASSETS AND PROVIDE THAT IF, DESPITE PROHIBITION, THIS IS DONE, ASSETS MORTGAGED AUTOMATICALLY BECOME SECURITY FOR THOSE LOANS TOO; THIS WOULD MEAN, FOR EXAMPLE, THAT FNCB WOULD HAVE TO SHARE WITH ITS PARTNERS IN BOP LOAN ACCESS TO ANY SECURITY IT MIGHT GET FOR NEW OIL LOAN. DEMUNNICKACKNOWLEDGED THAT HE COULD NOT SPEAK AUTHORITATIVELY ON SUBJECT BUT SAID THAT BANK'S LAWYERS WERE WORKING ON IT AND WOULD BE COMING UP WITH DEFINITIVE JUDGEMENT. DEMMUNICK SAID BANK ALSO HAD OTHER CONCERNS ABOUT PERFECTING LIEN ON KINDS OF ASSETS ZAIRE MIGHT BE ABLE TO PLEDGE. AMBASSADOR VANCE IS CONTACTING FRIEDMAN OF FNCB SEPARATELY RE POSSIBILITY OF FINANCING OIL DEAL, BUT DEMUNNICK'S COMMENTS OFFER; NO GROUNDS FOR OPTIMISM.

6. IN CONVERSATION WITH RUSSO OF IMF SEPTEMBER 10, DEPTOFF RAISED POL SUPPLY PROBLEM AND ASKED WHEN ZAIRE MIGHT HAVE ACCESS TO 1975 IMF OIL FACILITY. RUSSO NOTED INCREASED CONDITIONALITY OF 1975 FACILITY, WHICH REQUIRES INTER ALIA THAT APPLICANT SATISFY IMF THAT IT IS TAKING ADEQUATE MEASURES TO ACHIEVE MEDIUM-TERM SOLUTION TO ITS BALANCE OF PAYMENTS PROBLEM. HE SAID THAT THIS COULD NOT BE DETERMINED UNTIL IMF MISSION VISITS ZAIRE LAST HALF OCTOBER (ARRIVAL DATE IS NOW OCTOBER 15) AND THAT EVEN IF ALL CONDITIONS MET IT WOULD BE IMPOSSIBLE
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EFFECT DRAWING BEFORE NOVEMBER-DECEMBER. KISSINGER

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